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CHINA HAIDIAN HOLDINGS LIMITED

中國海澱集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 256)

CONNECTED TRANSACTION AND UNUSUAL PRICE AND VOLUME MOVEMENT

Financial Adviser to China Haidian Holdings Limited



Quam Capital Limited

THE ACQUISITION

On 15 February 2007 after the trading hours of the Stock Exchange, Wisdom Power, a wholly owned subsidiary of the Company, and Citychamp Industries entered into the Acquisition Agreement, pursuant to which Wisdom Power has agreed to purchase and Citychamp Industries has agreed to sell the Properties for a cash consideration of HK\$9,950,000.

GENERAL

The controlling shareholder of Citychamp Industries, being the son of Mr. Hon Kwok Lung, the Company's controlling shareholder, is an associate of a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, Citychamp Industries is regarded as a connected person of the Company as defined under Chapter 14A of the Listing Rules and the Acquisition Agreement constitutes a connected transaction of the Company.

Particulars of the Acquisition are disclosed in this announcement and will be disclosed in the Company's annual report in compliance with Rules 14A.45 to 14A.47 of the Listing Rules.

UNUSUAL PRICE AND VOLUME MOVEMENT

The Board has noted the increase in the trading volume and price of the Shares on 15 February 2007 and wishes to state that save for the Acquisition as disclosed herein, the Board is not aware of any reasons for such increases.

The Board confirms that there are no other negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

THE ACQUISITION AGREEMENT

Date

15 February 2007

Parties

- (a) Wisdom Power, as purchaser
- (b) Citychamp Industries, as vendor

Wisdom Power is a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company. The principal activity of Wisdom Power is the holding and leasing of investment properties and has been inactive prior to the Acquisition.

Citychamp Industries is a company incorporated in Hong Kong with limited liability. The principal activity of Citychamp Industries is the holding and leasing of investment properties in Hong Kong and the PRC.

Subject matter

On 15 February 2007, Wisdom Power and Citychamp Industries entered into the Acquisition Agreement, pursuant to which Wisdom Power has agreed to purchase and Citychamp Industries has agreed to sell the Properties.

Consideration

The aggregate Consideration is HK\$9.95 million in cash and was fully satisfied by Wisdom Power on the Completion Date. The Consideration was financed by the Group's internal resources.

The Consideration has been determined after arm's length negotiations between Wisdom Power and Citychamp Industries taking into consideration of: (a) the aggregate market value of the Properties of HK\$9.95 million based on the valuation report prepared by Greater China Appraisal Limited, a valuer not connected to the Company and its associates ; and (b) the original purchasing cost of the Properties of HK\$9.5 million to Citychamp Industries in July 1999.

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Completion

The Acquisition was completed on the Completion Date, being 15 February 2007, in accordance with the terms of the Acquisition Agreement.

INFORMATION ON THE PROPERTIES

The Properties comprise a residential unit at Flat B, 21st Floor, Jolly Villa, No. 8 Tai Hang Road, Hong Kong and the car parking space No. 32 on 3rd Floor of the same building with saleable area amounting to approximately 1,209 square feet in aggregate. The Properties were used as staff quarter of Citychamp Industries for the past two years immediately preceding the Acquisition and are currently vacant. The Properties were originally subject to legal charge but are being discharged on the Completion Date.

Based on the valuation report prepared by Greater China Appraisal Limited, an independent valuer, the aggregate market value of the Properties as at 1 February 2007, amounted to HK\$9.95 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the manufacture and sale of watches and clocks, property investment and development, manufacture and distribution of timber products, and manufacture and sale of enamelled copper wires in the PRC.

By leveraging on the Group's experience in the property business, the Group is open to property investment opportunities and has decided to further expand its investment properties portfolio in high quality residential property in Hong Kong. The Directors consider that the Acquisition is in the Group's ordinary and usual course of business.

With the sustained economic growth in Hong Kong, the outlook of the property market in Hong Kong is considered to be promising. The Tai Hang District is considered a traditional luxury residential area in Hong Kong. The Directors believe that the higher-than-expected government land auction result in December 2006 illustrated developers' optimism of the luxury residential market given the anticipated limited supply in the future. Future demand for luxury properties in

Hong Kong is expected to be driven by sustained economic growth, strong influx of funds and limited supply. As such, the Directors believe the Acquisition represents an attractive opportunity to the Group as it enables the Group to benefit from the positive prospect of the luxury residential property market in Hong Kong.

In view of the foregoing, the Directors (including the independent non-executive Directors) consider that the terms of the Acquisition are on normal commercial terms, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

GENERAL

The controlling shareholder of Citychamp Industries, being the son of Mr. Hon Kwok Lung, the Company's controlling shareholder, is an associate of a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, Citychamp Industries is regarded as a connected person of the Company as defined under Chapter 14A of the Listing Rules and the Acquisition Agreement constitutes a connected transaction of the Company. The Directors confirm that the Group did not complete other transactions within the 12 month period immediately preceding the Acquisition with Citychamp Industries that should be considered as a series of transactions in aggregate with the Acquisition pursuant to Rule 14.22 of the Listing Rules.

UNUSUAL PRICE AND VOLUME MOVEMENT

The Board has noted the increase in the trading volume and price of the Shares on 15 February 2007 and wishes to state that save for the Acquisition as disclosed herein, the Board is not aware of any reasons for such increases.

The Board confirms that there are no other negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	acquisition of the Properties pursuant to the Acquisition Agreement by Wisdom Power from Citychamp Industries
“Acquisition Agreement”	the agreement dated 15 February 2007 entered into between Wisdom Power and Citychamp Industries in relation to the acquisition of the Properties
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Citychamp Industries”	Citychamp Industries Limited 冠城實業有限公司, a company incorporated in Hong Kong with limited liability
“Company”	China Haidian Holdings Limited 中國海澱集團有限公司, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“Completion Date”	15 February 2007
“connected person”	has the meaning ascribed thereto in the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	the consideration payable by Wisdom Power for the acquisition of the Properties from Citychamp Industries
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	The People’s Republic of China
“Properties”	the two properties owned by Citychamp Industries, details of which are set out in the section headed “Information on the Properties” above
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wisdom Power”	Wisdom Power Property Limited 智力物業有限公司, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company

As at the date of this announcement, the Board comprises Mr. Hon Kwok Lung, Mr. Wang Shaolan, Mr. Shang Jianguang, Mr. Shi Tao and Mr. Lam Toi Man as the executive Directors, Ms. Sit Lai Hei as the non-executive Director, and Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael and Mr. Li Qiang as the independent non-executive Directors.

By order of the Board of
China Haidian Holdings Limited
Hon Kwok Lung
Chairman

Hong Kong, 15 February 2007